

## The Issue - Medical Debt

In 2023, **14% of Maryland voters had a medical bill or medical debt that they or someone in their household is unable to pay**.<sup>1</sup> Medical debt hit Black-led households harder, with 23% of African-Americans polled having an unaffordable medical bill.<sup>2</sup>

Of Maryland households struggling with medical debt, 53% say their medical debt is from a hospital visit or combination of outpatient and hospital visits.<sup>3</sup>

All of Maryland's hospitals are nonprofits which means they receive enormous tax benefits and in return are required by law to provide a financial assistance policy, make it publicly available, and refrain from debt collection until they have determined a patient's eligibility for financial assistance.

Today, with the rising costs of housing, utilities, food, insurance, gas, and healthcare, many hard-working families find that the costs to cover basic needs are 22% higher than they were four years ago.<sup>4</sup>

Coupled with insurance coverage gaps, high deductibles, and dwindling financial cushions, more families than ever need financial assistance-in fact, it may be the difference between managing high costs or falling into unmanageable debt.

## Problem - Inconsistent Discounted Care

However, as past research has shown,<sup>5</sup> approximately 60% of UCC (i.e. unpaid charges) attributable to individuals with a household income under 200% of the federal poverty level (FPL) is reported by hospitals as bad debt, rather than free care hospitals are legally required to provide.

**Patients who are living paycheck to paycheck may qualify for reduced-cost at one hospital, but pay full freight for medical care at another hospital. This is because, unlike free care, which has been established as 200% FPL for all hospitals across Maryland, there is no consistent standard for reduce-cost care nor for percentage reduction that a patient can expect based on their financial circumstances.**

This means that a patient may qualify for reduced cost care at a hospital in Baltimore City and receive a 50% discount, while a patient with the same circumstances could seek care at a hospital in Baltimore County and receive no discount on their care.

Patients often go to a hospital when facing a medical emergency and do not have the ability to choose to attend the hospital with the most favorable reduced-cost care option. Patients' choices might also be limited by geography, where their physician has privileges, or where their insurance policy covers in-network care.

Providing different eligibility guidelines and different levels of discounts for patients creates confusion, This means access to affordable care is conditioned on where one becomes ill or has an emergency. This leads to inequitable outcomes and disparities.



## Problem - Clear Notice of Current Policies

Many Maryland patients are unaware that hospitals provide free and reduced-cost care. **In 2020, 29% of households did not know that hospitals provided charity care.** African-Americans comprised 50% of the households who were not aware that hospitals provided financial assistance for income-eligible patients.<sup>6</sup>

While notice has improved at some hospitals, many patients are still unaware since notice varies in form and content from hospital to hospital.

## Problem - Hospital Extraordinary Collection Actions

When patients fall behind on bills, Maryland hospitals may pursue extraordinary collection actions including reporting medical debt to credit reporting agencies and suing patients for their hospital bill.

On January 5, the Consumer Financial Protection Bureau (CFPB) issued a new rule<sup>7</sup> prohibiting reporting of medical debt to the credit reporting agencies because the CFPB found that medical debt is a poor predictor of repayment and leads to prospective homeowners being turned down for mortgages and tenants screened out of rentals.<sup>8</sup> Three days after the law was finalized, a credit union sued to block the rule.<sup>9</sup>

In Maryland, 19 hospitals surveyed retain the right to report medical debt to credit reporting agencies (the policies were collected prior to the CFPB's new rule) while eight do not report medical debt.<sup>10</sup>

Similarly, most Maryland hospitals reserve the right to sue patients for medical debt although many note they are not currently doing so. Earlier research found that **over a nine-year period, Maryland hospitals filed 145,746 medical debt lawsuits with the median amount sought at \$944. These lawsuits were disproportionately concentrated in low-income communities, with three times as many lawsuits per capita filed against residents in the lowest-income regions of Maryland as compared to the highest-income regions.**<sup>11</sup> Many of these low-income communities were majority Black and Brown communities highlighting the racial disparities in medical debt and medical debt lawsuits.



## Solution - HB268/SB981

**HB268/SB981 addresses many of these issues by:**

- Establishing consistent thresholds and discounts for reduced cost care. This will create a consistent floor across all Maryland hospitals for working families.
- Requiring a signature upon receipt of the hospital financial assistance policy to ensure that a patient or family member has notice of the hospital's financial assistance and payment options.
- Bans hospitals' reporting of medical debt to credit reporting agencies, codifying part of the CFPB's rule.
- Bans medical debt lawsuits for the most vulnerable patients by preventing hospitals from suing on medical debts that are \$500 or less.

## What HB268/SB981 Will Do

### **Increase fairness of charity care**

Patients that are eligible for reduced cost care by income will be eligible for reduced cost care at all Maryland hospitals creating clarity and consistency for both hospitals and patients. Patients will have access to the same discounts wherever they or a loved one may seek care in Maryland and hospitals may use one form to assess patients for charity care since the guidelines are the same across hospital systems.

### **Increase Access to Healthcare**

53% of patients who were unable to pay their hospital bill have delayed care over concern for costs, with African-Americans disproportionately delaying care.<sup>12</sup> Banning lawsuits for hospital bills \$500 or under and prohibiting reporting medical debt to credit reporting agencies will increase those seeking care without fear of excessive collection actions. Banning lawsuits of \$500 or less will avert 3,066 lawsuits per year for low-income patients.<sup>13</sup>

### **Increase consumer awareness**

Requiring the patient or guardian to affirmatively sign notice of financial assistance and payment plans increases the likelihood that a patient understands their rights and will pursue financial assistance or payment options should they need them. This reduces medical debt and increases appropriate use of hospitals charity care.

## What HB268/SB981 Won't Do

### **Strain Hospitals Budgets**

Banning medical debt lawsuits for \$500 will lead to a total revenue loss per hospital of \$3,523 which can be addressed elsewhere by hospitals.

### **Strain Hospitals Administrative Resources**

Standardizing discounts will reduce the strain on financial counselors and staff processing financial assistance requests while requiring a signature to affirm receipt of notice does not differ substantially from current requirements. Any additional time needed is offset by time saved in screening for financial assistance due to the standardized thresholds and discounts.

## Why Support HB268/SB981

### **Improves Financial Security, Reduces Chronic Illness**

Reducing medical debt directly impacts household finances by improving credit scores and access to credit. Research shows that households that have their medical debt relieved see improvements in physical and mental health outcomes as well as improved overall access to care. Since medical debt is disproportionately held among low-income communities, reductions in the burden of medical debt helps advance financial and health-based equity.

### **Addresses Racial Health and Wealth Disparities**

Medical debt, lack of awareness of financial assistance policies, and medical debt lawsuits were disproportionately concentrated among African-American households. Addressing these issues will have an outsized beneficial effect to majority Black communities that saw more medical debt lawsuits, struggled more with medical debt, and had less access to information about hospital financial assistance.

**For all these reasons, we urge you to Put Patients First and support HB268/SB981!**